



Tennessee State Board of Accountancy

Department of Commerce and Insurance

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MINUTES

TENNESSEE STATE BOARD OF ACCOUNTANCY TELEPHONIC MEETING

April 19, 2006

The meeting of the Tennessee State Board of Accountancy convened via telephonic conference in the Davy Crockett Tower, Nashville, Tennessee on April 19, 2006 at 9:00 am.

Members present via telephone were Doug Warren, Chairman; Kenneth Cozart, Vice Chair; Max Haught, Secretary; Stanley Sawyer; Terri Jeter-McAvoy; Joseph Buffler; Charles Grant and Robert Davidson.

Present at the physical location of the Davy Crockett Tower were Linda Biek, Executive Director; Mark H. Crocker, Investigator; Stacey Grooms, Staff Counsel; Allison Cleaves, Chief Counsel; Christy Allen, Deputy General Counsel; Meredith Sullivan, Assistant Commissioner; Leona Johnson, Administrative Assistant III and Paul D. Krivacka, Attorney for the respondent.

Stacey Grooms announced the attendants at the physical location of 500 James Robertson Parkway, Nashville, Tennessee. Linda Biek called roll of the members present via telephone verifying a quorum was present. Robert Davidson was also present via telephone; however he was recused from this matter.

Ms. Grooms instructed the Board Members that the conference is being recorded and will be on record therefore they should state their name before they speak. Ms. Grooms further informed the Board Members that this teleconference meeting is required in order for the Board to consider a settlement offered by the Respondent, Paul Adams, Jr., in response to the Notice of Hearing and Charges filed by the Board. The contested case is scheduled to be heard by the Board at its next regularly scheduled meeting on April 28, 2006. It was imperative to call this meeting at such short notice and to have the Board appear by teleconference to consider the settlement offer, since the Board will not meet again prior to the April 28, 2006 hearing date.

Ms. Grooms informed the Board Members that the State has filed a Notice of Hearing and Charges against Paul Adams, Jr., individually and as owner of his firm. The Charges involve twenty eight workpaper files which were obtained from Respondent's office during an investigation requested by the Board. The twenty eight engagements included in the Charges all involve attest services, wherein Respondent performed reviews for clients in the construction industry. Respondent failed to document the analytical procedures and inquiries; failed to include adequate disclosures; failed to inquire as to clients' procedures for valuation of assets/liability; used incorrect terminology; issued financial statements without signed representation letters; failed to utilize a written review program; and failed to maintain copies of workpapers and work product as required. Some engagements reflected specific violations: a failure to justify the discrepancy between the reconciled balance sheet and the cash on the balance sheet as reported; posting of an adjustment entry without supporting documentation; failure to justify utilization of amounts differing from amounts listed on clients' documentation; failure to utilize a depreciation schedule; reporting assets at fair market value and failure to utilize the most recent bank statement. The Charges also include the violation of listing Respondent business as "Paul Adams & Associates, CPA" at such time that Respondent had no other associates working for his firm. Respondent was licensed as a CPA in 1991 and received his firm permit in 1994. Respondent has had no prior discipline by the Board.

Ms. Grooms then explained to the Board Members that the Facts and Conclusion of Law would be stipulated in

the settlement agreed order should the Board vote and agree to accept the settlement offer. Ms. Grooms read the settlement offer to the Board Members and informed them that they could impose further restrictions or requirements if they so choose. She also informed the Board that her "hat" has changed since this matter has proceeded to the Formal Hearing status. She is the Attorney for the State and is not be able to give the Board any type of advice.

Mr. Krivacka addressed the Board stating the settlement negotiated by Mr. Adams and the Board Staff was appropriate given the violations – the 28 companies were not publicly traded companies and a high number of them involve repeat violations. Mr. Krivacka stated that a revocation would be harsh. He and Mr. Adams submit the settlement offer as a fair balance to the charges against Mr. Adams and appropriate action to be taken by the Board.

At this time the Board Members asked questions to which Ms. Grooms and Mr. Krivacka answered. Several Board Members voiced concern over whether the clients would be notified of the violations. Others were interested in knowing if they could further restrict the Respondents work in the area of the violations. The Board Members did not concur regarding whether it was appropriate for Mr. Davidson to speak. Mr. Krivacka objected to Mr. Davidson speaking and the Board Chair advised the Board Members to continue the discussion without Mr. Davidson.

Terri Jeter-McAvoy made a motion for the Board Members to go into discussion. Charles Grant seconded the motion; it was voted on and approved.

Doug Warren asked the Board if there were any portions of the agreement that were not acceptable. He asked if there were any amendments, recommendations, or comments. Ms. Jeter-McAvoy stated that she was not comfortable with the settlement offer, that it was not enough for her. Joseph Buffler asked to hear from the Board Staff. Ms. Biek addressed the Board Members informing them that the Investigator did an in-depth investigation. The substandard work focuses on review engagements, there are no issues in any other area of accounting. Ms. Biek stated she thinks the settlement offer is acceptable pointing out that the revocation stipulation at the end is an important element. She also stressed that the offer could be amended to suspend the Respondent's attest work during the entire disciplinary period. Mr. Crocker then addressed the Board Members adding that the work was extremely substandard. The Board was reminded that they have the ability to "massage" the 4th & 5th year of the settlement offer and can limit the respondent's work to not do attest work in the contractor's area. The Board Members then discussed between themselves areas such as peer review, intentional disregard for our law and rules vs. not knowing, quality control and lack of procedures.

After a lengthy discussion Doug Warren asked the Board Members if they wanted to modify the proposed settlement offer, offer some other action or proceed to the hearing scheduled on Friday, April 28th. Max Haught made a motion to reject the proposal and proceed with the Formal Hearing. Ken Cozart seconded the motion; it was voted on by roll call vote with all Board Members voting "Yes". The motion passed and the teleconference meeting was called to an end.

There being no further business to come before the Board, the meeting was adjourned.

Approved by: _____

CHAIRMAN

SECRETARY